



Commonwealth of Kentucky
Public Protection Cabinet
Department of Insurance

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Kentucky Captive Insurance Market Continues Growth
Now ranks 8th in nation; 17th internationally

FRANKFORT, KY (March 13, 2009) – Kentucky is among the top eight states in the nation and the top 17 locations in the world for captive insurers, according to the March 2009 issue of *Business Insurance*. The commonwealth ranked ninth in the nation and 21st in the world in last year's rankings.

A captive is a specialized type of insurance company formed to insure the business risks of a corporate parent and affiliates or a group of similar entities (such as a trade association). Captive insurers are licensed and regulated by the Kentucky Department of Insurance (DOI).

The number of licensed captive insurers in the commonwealth grew from 31 to 67 during 2008. Bermuda leads the world with 960 captives. Vermont, the top U.S. captive domicile, is third in the world with 557 captives.

According to *Business Insurance*, Kentucky and Utah were the only states to add at least 20 captives in 2008. Experts interviewed for the publication cited the convenient, low-cost locations as a reason for the growth in those two states. In addition, those interviewed pointed out the "flexibility and responsiveness" of the

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regulators while adding that captive staff in both domiciles could also be “hard-nosed,” particularly when evaluating solvency, actuarial studies and business plans.

“We have made significant efforts to attract this segment of the market to Kentucky,” said Sharon P. Clark, DOI commissioner. “During the last four years, we updated our captive law, solicited support from the legislature and industry, and hired a full-time coordinator to handle market development and oversee the regulation and licensing of these entities.”

Stuart Ferguson, president of the Kentucky Captive Association, said he agreed with the reasons for growth cited in the publication.

“Kentucky has carved a niche as an efficient captive location for the businesses of middle America. The commonwealth’s low overhead, strong regulatory environment, as well as its central location and world class destinations, are responsible for this growth,” Ferguson said.

An executive education conference at Churchill Downs in November 2008 attracted about 65 industry representatives from across the United States. Ferguson said those forming new companies or relocating existing captives continue to express interest in Kentucky.

“If the commercial market hardens due to 2008 investment results, then we will see additional interest in captives,” Ferguson added.

“With support, I am highly confident that Kentucky can continue to grow and become a major domicile,” said Russell Coy II, DOI captive coordinator. “In addition to providing an important risk management tool for regional businesses, captives attract professional jobs and capital to the state.”

The Department of Insurance is an agency of the Public Protection Cabinet.

The Kentucky Captive Association was formed as a non-profit in 2003 to promote Kentucky’s captive industry and to act as a unified voice for Kentucky’s captive owners and service providers.